WEEKLY ECONOMIC REVIEW

July 28, 2006

U.S. economic growth slowed to 2.5 per cent in the second quarter of 2006, down sharply from the 5.6 per cent pace set in the first quarter. Markets had been expecting second quarter growth of about 3 per cent. The deceleration in U.S. economic growth was broadly based, as consumer spending, business investment and exports all slowed down significantly.

Despite a cooling economy, U.S. inflation accelerated in the second quarter, reflecting rising energy prices and interest rates. The core inflation rate for personal consumption expenditures jumped at a 2.9 per cent annual pace - its highest rate of increase since 1994. Nevertheless, initial market reaction to U.S. second quarter release was positive, since the slowdown in U.S. economic growth is expected to dampen future inflationary pressures.

The "Doha Round" of World Trade Organization (WTO) negotiations was suspended indefinitely this week, as the U.S. and the European Union reached an impasse on the issue of subsidies and market access for agricultural products. With President Bush's Congressional authority for "fast track" negotiations set to expire in June 2007, many observers are now pessimistic that an agreement can be reached and ratified prior to the 2008 U.S. elections.

Cdn Dollar (C¢/US$)

July 28, 2006	88.5¢
July 21, 2006	87.9¢
2006-07 YTD	89.1¢

WTI Oil SUS/bbl

July 27, 2006	$74.54
July 20, 2006	$73.08
2006-07 YTD	$71.59

Nymex Natural Gas CS/mcf*

September Contract

July 28, 2006	$8.18
July 21, 2006	$6.73

*Estimate based on Nymex Futures Market Price

Japan's economy showed further signs that it is finally emerging from a decade-long period of deflation. In June, the core consumer price index recorded its eighth consecutive monthly increase.

Natural gas prices jumped to a five-week high, as a heat wave in the United States led to a spike in demand and an unexpected decline in inventories. Nevertheless, U.S. natural gas inventories remain very high, and are presently 10.9 percent above the previous record for this time of year.

Economic Indicators Released this Week	Reference Period	Quarter/Previous Quarter	Quarter/Previous Quarter (Annualized Rate)	Quarter/Previous Year's Quarter
	2nd Quarter 2006			
US GDP (Billions of 2000 dollars)	11,385	0.6%	2.5%	3.5%
		Month/Previous Month (M/M)	Month/Previous Year's Month (Y/Y)	Year-to-date[1]
Retail Trade ($ Millions)	May			
Alberta	4,708	0.1%	16.4%	16.5%
Canada	32,631	-0.6%	7.4%	6.4%
Industrial Product Price Index (1997=100)	June			
Canada	113.7	-0.4%	2.2%	1.9%
Raw Materials Price Index (1997=100)	June			
Canada	166.2	-2.5%	14.7%	14.2%

Source: Statistics Canada, U.S. Bureau of Economic Analysis

[1]*Year-to-date 2006 compared to the same time period in 2005. For example: January-May 2006 versus January-May 2005*